

DRAFT "REVISED FINAL" FORECASTS FOR THE 2012 KING COUNTY BUDGET

Briefing to the King County Forecast Council



Briefing outline

- Economic context
- Revenue review
- Major forecasts



A Tale of Two Downgrades One political, one economic

- S&P downgraded US debt to AA+ the problem is political, not economic:
 - "Compared with previous projections, our revised base case scenario now assumes that the 2001 and 2003 tax cuts, due to expire by the end of 2012, remain in place. We have changed our assumption on this because the majority of Republicans in Congress continue to resist any measure that would raise revenues, a position we believe Congress reinforced by passing the act."
 - □ The S&P downgrade is not a significant economic event.
 - The markets rendered its judgment: Treasuries are still the global safe haven.

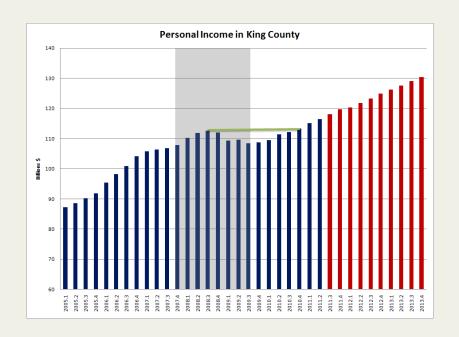


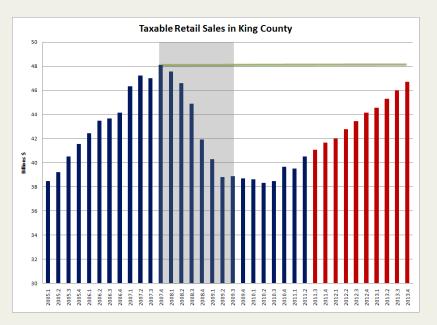
A Tale of Two Downgrades One political, one economic

- □ The Federal Reserve downgraded its economic outlook this is the more serious downgrade
 - Anticipates keeping rates low until 2013.
- The economy is at a tipping point. Any of these shocks could send it over into recession:
 - Contagion from European crisis
 - **□** Tightened short term fiscal policy
 - Expiration of long term unemployment benefits
 - Expiration of payroll tax cuts
 - New oil price shock
- Friday's Drama: Will Bernanke feed the bears in Jackson Hole, Wyoming?



Incomes have returned to pre-recession levels, but not retail spending





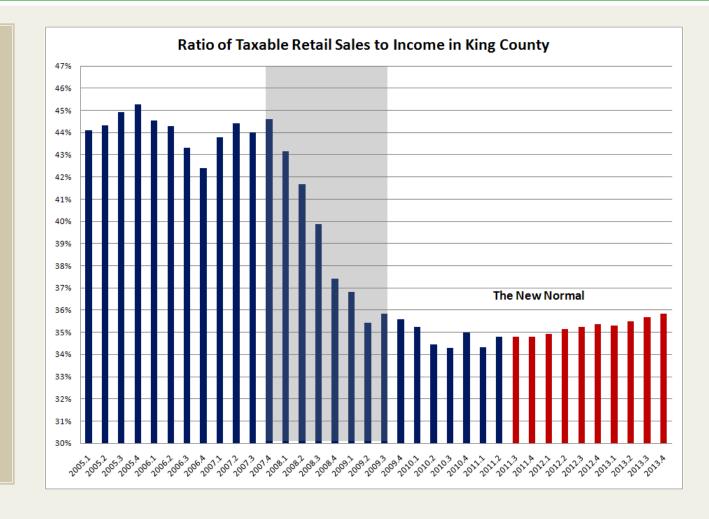


The spending rate will likely stay down for the foreseeable future

Economic context

Consumers
very cautious:
their equity is
down, so is
their
retirement

Uneven recovery: greatest income growth in top tier



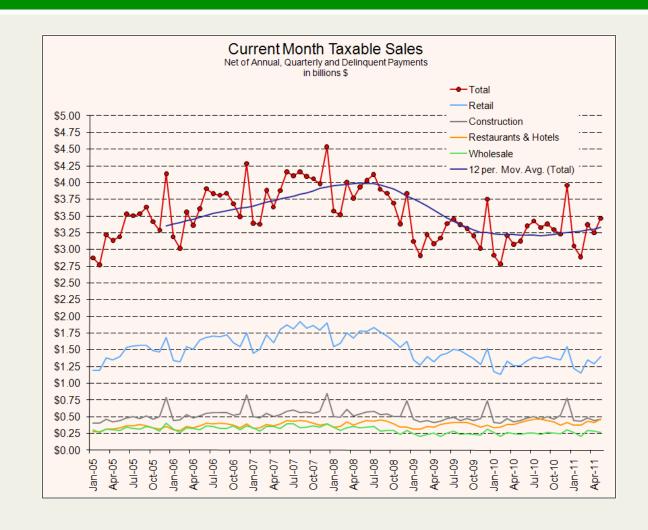


King County So taxable sales are turning around slowly

Economic context

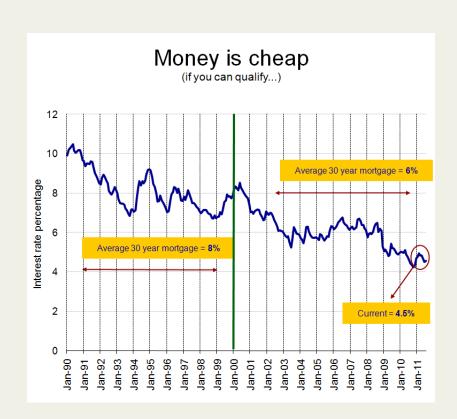
Retail, Restaurants & Hotels leading the way

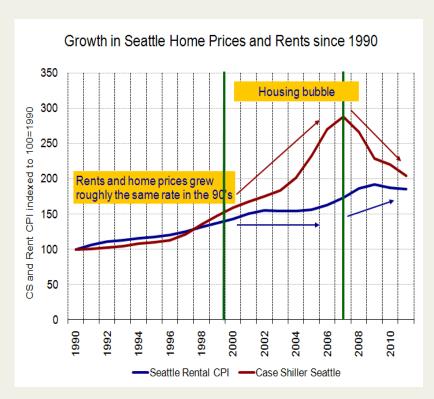
Construction still lagging





Buying a house is more affordable than ever – if you can qualify





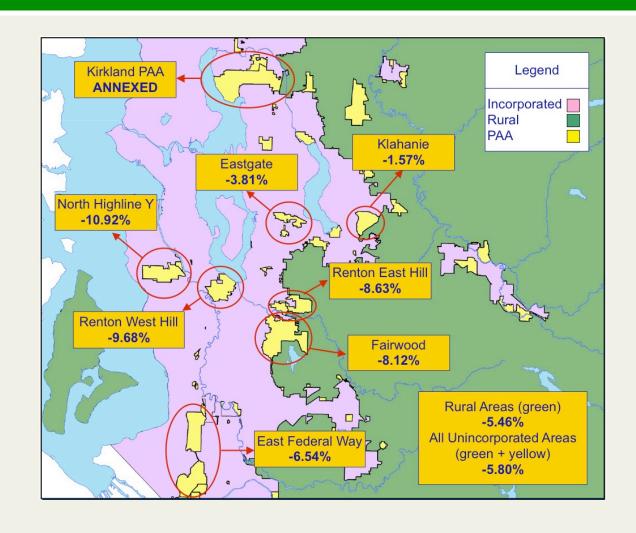


Assessed valuation of unincorporated areas down year-on-year

Economic context

58% of assessments done (8/12/2011)

Residential is down -6%

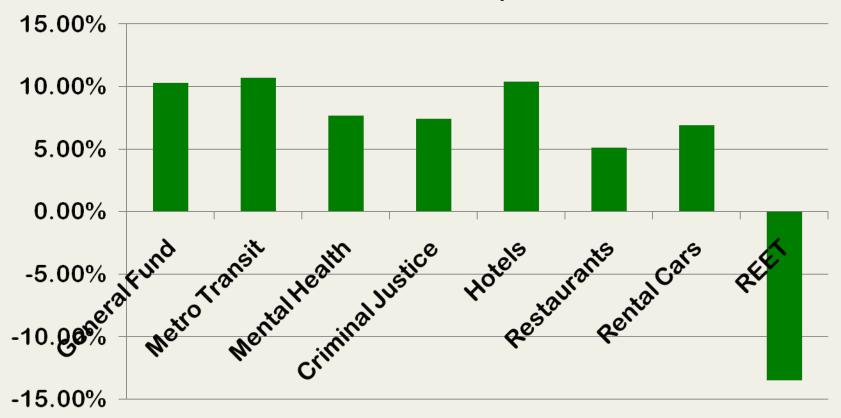




At a glance: Where we are compared to last year at this time

Revenue review

Year-Over-Year 2011 compared to 2010



Draft Forecasts

Assumptions

65% Confidence Level – 65% chance revenues will come in higher than forecasted

All potential annexation areas are assumed to occur on schedule:

North Highline Y (1-1-13) Pop. 17,553
Renton West Hill (1-1-13) Pop. 15,645
East Federal Way (1-1-15) Pop. 20,925
Eastgate (1-1-15) Pop. 4,958
East Renton (1-1-15) Pop. 6,308
Klahanie (1-1-15) Pop. 10,674



Transit Sales Tax Forecast

Forecasts

The amnesty injection has boosted prospects for this year.

2012 and beyond are down slightly because of the economic outlook.

Office of Economic and Financial Analysis August 24, 2011

Year	Value	YOY Change	Change from July 20
2005	341,149,234	8.58%	
2006	367,263,689	7.65%	
2007	442,042,300	20.36%	
2008	432,934,213	-2.06%	
2009	376,904,266	-12.94%	
2010	375,199,114	-0.45%	
2011	401,545,633	7.02%	0.75%
2012	413,123,539	2.88%	-0.30%
2013	431,953,188	4.56%	-0.73%
2014	455,817,520	5.52%	-0.92%
2015	484,358,729	6.26%	-0.84%



General Fund and C&FS Sales Tax Forecast

Forecasts

The amnesty injection has boosted prospects for this year.

2012 and beyond are down slightly because of the economic outlook.

Revised Final Local and Option Sales Tax Forecast Office of Economic and Financial Analysis August 24, 2011

Year	Value	YOY Change	Change from July 20	Annexation Adjustments
2007	91,912,631	10.10%		Auburn West Hill (1-1-07), Lea Hill (1-1-07), Benson Hill (3-1-07)
2008	87,672,896	-4.61%		
2009	76,142,480	-13.15%		
2010	76,040,263	-0.13%		North Highline X (4-1-10), Pantherlake (7-1-
2011	79,251,474	4.22%	0.75%	Juanita-FinnHill-Kingsgate (6-1-11)
2012	80,850,293	2.02%	-0.31%	
2013	82,852,008	2.48%	-0.73%	North Highline Y (1-1-13), Renton West Hill (1-1-13)
2014	87,429,374	5.52%	-0.93%	
2015	90,443,186	3.45%	-0.84%	East Federal Way (1-1-15), Eastgate (1-1- 15), East Renton (1-1-15), Klahanie (1-1-



Assessed Value Forecast

Forecasts

Residential taking the biggest hit this year.

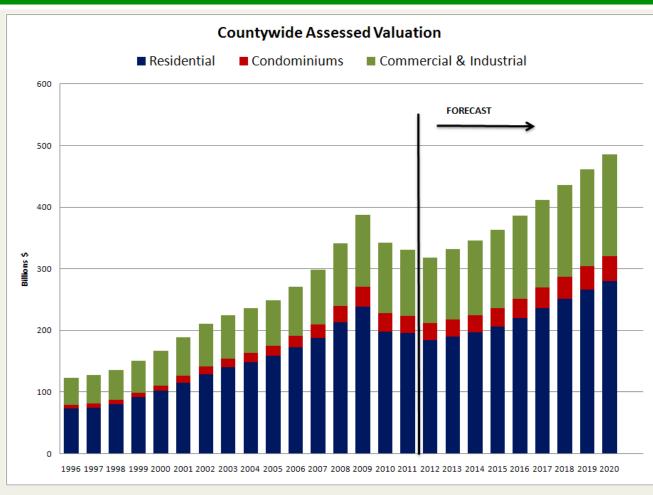
Lower interest rate outlook is favorable to AV

Revised Final Countywide Assessed Value Forecast Office of Economic and Financial Analysis August 24, 2011

Tax Year	Value	Change	Change from July 20
2007	298,755,199,059	10.42%	
2008	340,995,439,577	14.14%	
2009	386,889,727,909	13.46%	
2010	341,971,517,465	-11.61%	
2011	330,414,998,614	-3.38%	
2012	317,636,114,363	-3.87%	0.41%
2013	332,226,838,049	4.59%	0.55%
2014	345,941,252,889	4.13%	0.54%
2015	362,689,481,189	4.84%	0.52%

Assessed Value Forecast

Forecasts





New Construction Forecast

Forecasts

Lower interest rates should boost construction a bit next year

But lower economic growth will be a headwind

Revised Final Countywide New Construction Forecast Office of Economic and Financial Analysis August 24, 2011

Tax Year	Value	Change	Change from July 20
2007	5,950,400,000	19.86%	
2008	6,663,100,000	11.98%	
2009	8,005,200,000	20.14%	
2010	5,205,200,000	-34.98%	
2011	2,581,310,544	-50.41%	
2012	2,249,537,534	-12.85%	0.00%
2013	2,215,533,401	-1.51%	2.55%
2014	2,444,789,377	10.35%	-1.57%
2015	2,850,140,145	16.58%	-5.02%



Roads Assessed Value

Forecasts

Juanita, Finn
Hill, and
Kingsgate
annexations to
Kirkland will
take a big
chunk out of
the Roads AV

Without the JFK annexation, 20102 would be down only about -4%

Revised Final Unincorporated Assessed Value Forecast Office of Economic and Financial Analysis August 24, 2011

Tax Year	Value	YOY Change	Change from July 20	Annexation Adjustments
2007	45,145,645,420	9.35%		
2008	50,369,419,770	11.57%		Auburn West Hill (1-1-07), Lea Hill (1-1-07), Benson Hill (3-1-07)
2009	52,536,624,390	4.30%		
2010	43,743,564,380	-16.74%		
2011	39,449,376,050	-9.82%		North Highline X (4-1-10), Pantherlake (7-1-
2012	33,214,142,929	-15.81%	0.12%	Juanita-FinnHill-Kingsgate (6-1-11)
2013	34,628,046,696	4.26%	0.08%	
2014	32,978,752,148	-4.76%	-0.19%	North Highline Y (1-1-13), Renton West Hill (1-1-13)
2015	34,583,934,636	4.87%	-0.45%	

Roads New Construction

Forecasts

JFK annexation to Kirkland has a huge impact

Lower interest rates improve prospects for 2013

Revised Final Unincorporated New Construction Forecast Office of Economic and Financial Analysis August 24, 2011

Tax Year	Value	Change	Change from July 20	Annexation Adjustments
2007	1,051,911,167	17.10%		
2008	938,271,172	-10.80%		Auburn West Hill (1-1-07), Lea Hill (1-1-07), Benson Hill (3-1-07)
2009	821,583,000	-12.44%		
2010	304,665,097	-62.92%		
2011	267,511,475	-12.19%		North Highline X (4-1-10), Pantherlake (7-1-
2012	207,165,608	-22.56%	0.00%	Juanita-FinnHill-Kingsgate (6-1-11)
2013	204,034,081	-1.51%	2.55%	
2014	206,921,221	1.42%	-1.57%	North Highline Y (1-1-13), Renton West Hill (1-1-13)
2015	241,229,157	16.58%	-5.02%	

Questions?